



## **SOCIAL SECURITY ADMINISTRATION**

**[Docket No. SSA-2015-0063]**

### **Cost-of-Living Increase and Other Determinations for 2016**

**AGENCY:** Social Security Administration.

**ACTION:** Notice.

**SUMMARY:** There will be no cost-of-living increase in Social Security benefits effective December 2015. The national average wage index for 2014 is \$46,481.52. The cost-of-living increase and national average wage index affect other program parameters as described below.

**FOR FURTHER INFORMATION CONTACT:** Susan C. Kunkel, Office of the Chief Actuary, Social Security Administration, 6401 Security Boulevard, Baltimore, MD 21235, (410) 965-3000. Information relating to this announcement is available on our Internet site at [www.socialsecurity.gov/oact/cola/index.html](http://www.socialsecurity.gov/oact/cola/index.html). For information on eligibility or claiming benefits, call 1-800-772-1213 (TTY 1-800-325-0778), or visit our Internet site at [www.socialsecurity.gov](http://www.socialsecurity.gov).

**SUPPLEMENTARY INFORMATION:** Under Title II of the Social Security Act (Act), there will be no cost-of-living increase effective December 2015. Because there is no increase, the following items will remain at current levels for 2016:

1. The Old-Age, Survivors, and Disability Insurance contribution and benefit base will remain \$118,500 for remuneration paid in 2016 and self-employment income earned in taxable years beginning in 2016;

2. The monthly exempt amounts under the OASDI retirement earnings test for taxable years ending in calendar year 2016 will remain \$1,310 for beneficiaries who will attain their Normal Retirement Age after 2016 and \$3,490 for those who attain such age in 2016;
3. The "old-law" contribution and benefit base under title II of the Act will remain \$88,200 for 2016;
4. The monthly amount deemed to constitute substantial gainful activity (SGA) for statutorily blind persons in 2016 will remain \$1,820;
5. The maximum Federal Supplemental Security Income (SSI) monthly benefit amounts for 2016 under title XVI of the Act will remain \$733 for an eligible individual, \$1,100 for an eligible individual with an eligible spouse, and \$367 for an essential person;
6. The special benefit amount under title VIII of the Act for certain World War II veterans will remain \$549.75 for 2016;
7. The student earned income exclusion under title XVI of the Act will remain \$1,780 per month in 2016, but not more than \$7,180 for all of 2016;
8. The dollar fee limit for services performed as a representative payee will remain \$41 per month (\$78 per month in the case of a beneficiary who is disabled and has an alcoholism or drug addiction condition that leaves him or her incapable of managing benefits) in 2016; and

9. The dollar limit on the administrative-cost fee assessment charged to an appointed representative such as an attorney, agent, or other person who represents claimants will remain \$91.

The national average wage index for 2014 is \$46,481.52. This index affects the following amounts:

1. The dollar amounts ("bend points") used in the primary insurance amount (PIA) benefit formula for workers who become eligible for benefits, or who die before becoming eligible, in 2016 will be \$856 and \$5,157;
2. The bend points used in the formula for computing maximum family benefits for workers who become eligible for benefits, or who die before becoming eligible, in 2016 will be \$1,093, \$1,578, and \$2,058;
3. The taxable earnings a person must have to be credited with a quarter of coverage in 2016 will be \$1,260;
4. The monthly amount deemed to constitute SGA for non-blind disabled persons will be \$1,130 in 2016;
5. The earnings threshold establishing a month as a part of a trial work period will be \$810 for 2016; and
6. Coverage thresholds for 2016 will be \$2,000 for domestic workers and \$1,700 for election officials and election workers.

The Act requires that we publish the following by November 1: the national average wage index for 2014 (215(a)(1)(D)), the earnings required to be credited with a quarter of coverage in 2016 (section 213(d)(2)), the formula for computing a PIA for workers who first become eligible for benefits or die in 2016 (section 215(a)(1)(D)), and the formula for computing the maximum benefits payable to the family of a worker who first becomes eligible for old-age benefits or dies in 2016 (section 203(a)(2)(C)).

### Cost-of-Living Increases

#### General

There will be no cost-of-living increase for benefits under titles II and XVI of the Act.

#### Computation

Computation of the cost-of-living increase is based on an increase in a Consumer Price Index produced by the Bureau of Labor Statistics. At the time the Act was amended to provide cost-of-living increases, only one Consumer Price Index existed, namely the Consumer Price Index for Urban Wage Earners and Clerical Workers. Although the Bureau of Labor Statistics has since developed other consumer price indices, we follow legal precedent by continuing to use the Consumer Price Index for Urban Wage Earners and Clerical Workers. We refer to this index in the following paragraphs as the CPI.

Section 215(i)(1)(B) of the Act defines a "computation quarter" to be a third calendar quarter in which the average CPI exceeded the average CPI in the previous computation quarter. The last cost-of-living increase, effective for those eligible to receive title II benefits for

December 2014, was based on the CPI increase from the third quarter of 2013 to the third quarter of 2014. Therefore, the last computation quarter is the third quarter of 2014. The law states that a cost-of-living increase for benefits is determined based on the percentage increase, if any, in the CPI from the last computation quarter to the third quarter of the current year. Therefore, we compute any increase in the CPI from the third quarter of 2014 to the third quarter of 2015.

Section 215(i)(1) of the Act states that the CPI for a cost-of-living computation quarter is the arithmetic mean of this index for the 3 months in that quarter. In accordance with 20 CFR 404.275, we round the arithmetic mean, if necessary, to the nearest 0.001. The CPI for each month in the quarter ending September 30, 2014, is: for July 2014, 234.525; for August 2014, 234.030; and for September 2014, 234.170. The arithmetic mean for the calendar quarter ending September 30, 2014 is 234.242. The CPI for each month in the quarter ending September 30, 2015, is: for July 2015, 233.806; for August 2015, 233.366; and for September 2015, 232.661. The arithmetic mean for the calendar quarter ending September 30, 2015 is 233.278. The CPI for the calendar quarter ending September 30, 2015 is less than that for the calendar quarter ending September 30, 2014. Therefore, the calendar quarter ending September 30, 2015 is not a cost-of-living computation quarter and there is no cost-of-living increase.

#### Program Amounts that Change Based on the Cost-of-Living Increase

The following program amounts normally change based on the cost-of-living increase: (1) title II benefits; (2) title XVI benefits; (3) title VIII benefits; (4) the student earned income exclusion; (5) the fee for services performed by a representative payee; and (6) the appointed representative fee assessment. Because there will be no cost-of-living increase, these program amounts will not increase in 2016 and will remain at their 2015 levels.

Program Amounts that Change Based on the National Average Wage Index, but Only When  
There Is a Cost-of-Living Increase

Certain other program amounts are adjusted annually based on the change in the national average wage index, rather than the CPI increase, but only if there also is a cost-of-living increase that year (as determined under section 215(i) of the Act). These amounts include (1) the OASDI contribution and benefit base, (2) the exempt amounts under the retirement earnings test, (3) the "old-law" contribution and benefit base (as determined under section 230 of the Act as in effect before the 1977 amendments), and (4) the SGA amount applicable to statutorily blind individuals. Because there is no cost-of-living increase this year, these amounts will not increase in 2016 and will remain at their 2015 levels.

Program Amounts that Change Based on the National Average Wage Index, Without Regard to  
the Cost-of-Living Increase

Some program amounts are adjusted annually based on the change in the national average wage index whether there is a cost-of-living increase in that year or not. These include:

1. The dollar amounts, or bend points, in the PIA formula;
2. The bend points in the maximum family benefit formula;
3. The earnings required to credit a worker with a quarter of coverage;
4. The SGA amount for non-blind disabled individuals;

5. The earnings threshold that establishes a month as part of a trial work period for disabled beneficiaries;
6. The coverage threshold for election officials and election workers; and
7. The domestic employee coverage threshold.

These amounts will increase in 2016 based on the change in the national average wage. In the sections that follow, we explain the calculation of the percentage change in the national average wage and the corresponding changes in each of these program amounts.

#### National Average Wage Index for 2014

##### Computation

We determined the national average wage index for calendar year 2014 based on the 2013 national average wage index of \$44,888.16, published in the Federal Register on October 29, 2014 (79 FR 64455), and the percentage increase in average wages from 2013 to 2014, as measured by annual wage data. We tabulate the annual wage data, including contributions to deferred compensation plans, as required by section 209(k) of the Act. The average amounts of wages calculated from these data were \$43,041.39 for 2013 and \$44,569.20 for 2014. To determine the national average wage index for 2014 at a level consistent with the national average wage indexing series for 1951 through 1977 (published December 29, 1978, at 43 FR 61016), we multiply the 2013 national average wage index of \$44,888.16 by the percentage increase in average wages from 2013 to 2014 (based on SSA-tabulated wage data) as follows. We round the result to the nearest cent.

### National Average Wage Index Amount

Multiplying the national average wage index for 2013 (\$44,888.16) by the ratio of the average wage for 2014 (\$44,569.20) to that for 2013 (\$43,041.39) produces the 2014 index, \$46,481.52. The national average wage index for calendar year 2014 is about 3.55 percent higher than the 2013 index.

### Primary Insurance Amount Benefit Formula

#### General

The Social Security Amendments of 1977 provided a method for computing benefits that generally applies when a worker first becomes eligible for benefits after 1978. This method uses the worker's average indexed monthly earnings (AIME) to compute the PIA. We adjust the formula each year to reflect changes in general wage levels, as measured by the national average wage index.

We also adjust, or index, a worker's earnings to reflect the change in the general wage levels that occurred during the worker's years of employment. Such indexing ensures that a worker's future benefit level will reflect the general rise in the standard of living that will occur during his or her working lifetime. To compute the AIME, we first determine the required number of years of earnings. We then select the number of years with the highest indexed earnings, add the indexed earnings for those years, and divide the total amount by the total number of months in those years. We then round the resulting average amount down to the next lower dollar amount. The result is the AIME.



### Computing the PIA

The PIA is the sum of three separate percentages of portions of the AIME. In 1979 (the first year the formula was in effect), these portions were the first \$180, the amount between \$180 and \$1,085, and the amount over \$1,085. We call the dollar amounts in the formula governing the portions of the AIME the "bend points" of the formula. Therefore, the bend points for 1979 were \$180 and \$1,085.

To obtain the bend points for 2016, we multiply each of the 1979 bend-point amounts by the ratio of the national average wage index for 2014 to that average for 1977. We then round these results to the nearest dollar. Multiplying the 1979 amounts of \$180 and \$1,085 by the ratio of the national average wage index for 2014 (\$46,481.52) to that for 1977 (\$9,779.44) produces the amounts of \$855.54 and \$5,156.99. We round these to \$856 and \$5,157. Therefore, the portions of the AIME to be used in 2016 are the first \$856, the amount between \$856 and \$5,157, and the amount over \$5,157.

Therefore, for individuals who first become eligible for old-age insurance benefits or disability insurance benefits in 2016, or who die in 2016 before becoming eligible for benefits, their PIA will be the sum of:

- (a) 90 percent of the first \$856 of their AIME, plus
- (b) 32 percent of their AIME over \$856 and through \$5,157, plus
- (c) 15 percent of their AIME over \$5,157.

We round this amount to the next lower multiple of \$0.10 if it is not already a multiple of \$0.10. This formula and the rounding adjustment are stated in section 215(a) of the Act.

## Maximum Benefits Payable to a Family

### General

The 1977 amendments continued the policy of limiting the total monthly benefits that a worker's family may receive based on the worker's PIA. Those amendments also continued the relationship between maximum family benefits and PIAs but changed the method of computing the maximum benefits that may be paid to a worker's family. The Social Security Disability Amendments of 1980 (Pub.L. 96-265) established a formula for computing the maximum benefits payable to the family of a disabled worker. This formula applies to the family benefits of workers who first become entitled to disability insurance benefits after June 30, 1980, and who first become eligible for these benefits after 1978. For disabled workers initially entitled to disability benefits before July 1980 or whose disability began before 1979, we compute the family maximum payable the same as the old-age and survivor family maximum.

### Computing the Old-Age and Survivor Family Maximum

The formula used to compute the family maximum is similar to that used to compute the PIA. It involves computing the sum of four separate percentages of portions of the worker's PIA. In 1979, these portions were the first \$230, the amount between \$230 and \$332, the amount between \$332 and \$433, and the amount over \$433. We refer to such dollar amounts in the formula as the "bend points" of the family-maximum formula.

To obtain the bend points for 2016, we multiply each of the 1979 bend-point amounts by the ratio of the national average wage index for 2014 to that average for 1977. Then we round this amount to the nearest dollar. Multiplying the amounts of \$230, \$332, and \$433 by the ratio

of the national average wage index for 2014 (\$46,481.52) to that for 1977 (\$9,779.44) produces the amounts of \$1,093.19, \$1,577.99, and \$2,058.04. We round these amounts to \$1,093, \$1,578, and \$2,058. Therefore, the portions of the PIAs to be used in 2016 are the first \$1,093, the amount between \$1,093 and \$1,578, the amount between \$1,578 and \$2,058, and the amount over \$2,058.

Thus, for the family of a worker who becomes age 62 or dies in 2016 before age 62, we will compute the total benefits payable to them so that it does not exceed:

- (a) 150 percent of the first \$1,093 of the worker's PIA, plus
- (b) 272 percent of the worker's PIA over \$1,093 through \$1,578, plus
- (c) 134 percent of the worker's PIA over \$1,578 through \$2,058, plus
- (d) 175 percent of the worker's PIA over \$2,058.

We then round this amount to the next lower multiple of \$0.10 if it is not already a multiple of \$0.10. This formula and the rounding adjustment are set out section 203(a) of the Act.

#### Quarter of Coverage Amount

##### General

The earnings required for a quarter of coverage in 2016 is \$1,260. A quarter of coverage is the basic unit for determining if a worker is insured under the Social Security program. For years before 1978, we generally credited an individual with a quarter of coverage for each quarter in which wages of \$50 or more were paid, or with 4 quarters of coverage for every taxable year in

which \$400 or more of self-employment income was earned. Beginning in 1978, employers generally report wages yearly instead of quarterly. With the change to yearly reporting, section 352(b) of the Social Security Amendments of 1977 amended section 213(d) of the Act to provide that a quarter of coverage would be credited for each \$250 of an individual's total wages and self-employment income for calendar year 1978, up to a maximum of 4 quarters of coverage for the year. The 1977 legislation also provided a formula for years after 1978.

### Computation

Under the prescribed formula, the quarter of coverage amount for 2016 is the larger of: (1) the 1978 amount of \$250 multiplied by the ratio of the national average wage index for 2014 to that for 1976; or (2) the current amount of \$1,220. Section 213(d) provides that if the resulting amount is not a multiple of \$10, we round it to the nearest multiple of \$10.

### Quarter of Coverage Amount

Multiplying the 1978 quarter of coverage amount (\$250) by the ratio of the national average wage index for 2014 (\$46,481.52) to that for 1976 (\$9,226.48) produces \$1,259.46. We then round this amount to \$1,260. Because \$1,260 exceeds the current amount of \$1,220, the quarter of coverage amount is \$1,260 for 2016.

## Substantial Gainful Activity Amounts for Non-Blind Disabled Individuals

### General

A finding of disability under titles II and XVI of the Act requires that a person, except for a title XVI disabled child, be unable to engage in SGA. A person who is earning more than a

certain monthly amount is ordinarily considered to be engaging in SGA. The monthly earnings considered as SGA depends on the nature of a person's disability. Section 223(d)(4)(A) of the Act specifies a higher SGA amount for statutorily blind individuals under title II while Federal regulations (20 CFR 404.1574 and 416.974) specify a lower SGA amount for non-blind individuals. In a year where there is no cost-of-living increase, we only consider whether the SGA for non-blind disabled individuals will increase.

### Computation

The monthly SGA amount for non-blind disabled individuals for 2016 is the larger of: (1) the amount for 2000 multiplied by the ratio of the national average wage index for 2014 to that for 1998; or (2) the amount for 2015. If the resulting amount is not a multiple of \$10, we round it to the nearest multiple of \$10.

### SGA Amount for Non-Blind Disabled Individuals

Multiplying the 2000 monthly SGA amount for non-blind individuals (\$700) by the ratio of the national average wage index for 2014 (\$46,481.52) to that for 1998 (\$28,861.44) produces \$1,127.35. We then round this amount to \$1,130. Because \$1,130 exceeds the current amount of \$1,090, the monthly SGA amount for non-blind disabled individuals is \$1,130 for 2016.

## Trial Work Period Earnings Threshold

### General

During a trial work period of 9 months in a rolling 60-month period, a beneficiary receiving Social Security disability benefits may test the ability to work and still receive monthly

benefit payments. To be considered a trial work period month, earnings must be over a certain level. In 2016, any month in which earnings exceed \$810 is considered a month of services for an individual's trial work period.

### Computation

The method used to determine the new amount is set forth in our regulations at 20 CFR 404.1592(b). Monthly earnings in 2016, used to determine whether a month is part of a trial work period, is the larger of (1) the amount for 2001 (\$530) multiplied by the ratio of the national average wage index for 2014 to that for 1999 or (2) the amount for 2015. If the amount so calculated is not a multiple of \$10, we round it to the nearest multiple of \$10.

### Trial Work Period Earnings Threshold Amount

Multiplying the 2001 monthly earnings threshold (\$530) by the ratio of the national average wage index for 2014 (\$46,481.52) to that for 1999 (\$30,469.84) produces \$808.51. We then round this amount to \$810. Because \$810 exceeds the current amount of \$780, the monthly earnings threshold is \$810 for 2016.

### Domestic Employee Coverage Threshold

### General

The minimum amount a domestic worker must earn so that such earnings are covered under Social Security or Medicare is the domestic employee coverage threshold. For 2016, this threshold is \$2,000. Section 3121(x) of the Internal Revenue Code provides the formula for increasing the threshold.

### Computation

Under the formula, the domestic employee coverage threshold for 2016 is equal to the 1995 amount of \$1,000 multiplied by the ratio of the national average wage index for 2014 to that for 1993. If the resulting amount is not a multiple of \$100, we round it to the next lower multiple of \$100.

### Domestic Employee Coverage Threshold Amount

Multiplying the 1995 domestic employee coverage threshold (\$1,000) by the ratio of the national average wage index for 2014 (\$46,481.52) to that for 1993 (\$23,132.67) produces \$2,009.35. We then round this amount to \$2,000. Therefore, the domestic employee coverage threshold amount is \$2,000 for 2016.

## Election Official and Election Worker Coverage Threshold

### General

The minimum amount an election official and election worker must earn so the earnings are covered under Social Security or Medicare is the election official and election worker coverage threshold. For 2016, this threshold is \$1,700. Section 218(c)(8)(B) of the Act provides the formula for increasing the threshold.

### Computation

Under the formula, the election official and election worker coverage threshold for 2016 is equal to the 1999 amount of \$1,000 multiplied by the ratio of the national average wage index

for 2014 to that for 1997. If the amount we determine is not a multiple of \$100, it we round it to the nearest multiple of \$100.

Election Official and Election Worker Coverage Threshold Amount

Multiplying the 1999 election worker coverage threshold amount (\$1,000) by the ratio of the national average wage index for 2014 (\$46,481.52) to that for 1997 (\$27,426.00) produces \$1,694.80. We then round this amount to \$1,700. Therefore, the election official and election worker coverage threshold amount is \$1,700 for 2016.

(Catalog of Federal Domestic Assistance: Program Nos. 96.001 Social Security-Disability Insurance; 96.002 Social Security-Retirement Insurance; 96.004 Social Security-Survivors Insurance; 96.006 Supplemental Security Income)

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**Carolyn W. Colvin,**

*Acting Commissioner of Social Security.*

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